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In the Supreme Court of the United States

OCTOBER TERM, 1973

No. 73-1097

ELECTRONICS CORPORATION OF AMERICA,
PETITIONER,

v.

HONEYWELL, INC.,
RESPONDENT.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

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In the
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No.

ELECTRONICS CORPORATION OF AMERICA,
PETITIONER,

v.

HONEYWELL, INC.,
RESPONDENT.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

Petitioner, Electronics Corporation of America, prays that a writ of certiorari issue to review the opinion and judgment of the United States Court of Appeals for the First Circuit, entered on December 3, 1973.

OPINION OF THE COURT BELOW

The opinion of the United States Court of Appeals for the First Circuit is printed in Appendix A hereto, but is not as yet reported. Since it is a *per curiam* affirmance on the basis of the opinion of the United States District Court

for the District of Massachusetts, that lower court opinion is printed in Appendix B hereto, and it is reported in 358 F.Supp. 1230 (Mass., 1973).

JURISDICTION

The judgment of the court below was entered on December 3, 1973, and a Motion For Stay Of Mandate was allowed on December 17, 1973, pending the due filing of this petition by January 14, 1974. The jurisdiction of this Court is invoked under 28 U.S.C. §1254(1), since petitioner seeks review of a decision of a court of appeals.

QUESTIONS PRESENTED

1. Having established non trade mark liability under Section 43 of the Lanham Act, 15 U.S.C. § 1125(a), does Section 35 of the Act, 15 U.S.C. §1117, foreclose petitioner from recovering any money damages:

   (a) compensatory, because the exact amount of loss caused by the respondent's misrepresentations could not be proven, or
   (b) attorney's fees, because of this Court's opinion in *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 386 U.S. 714 (1967)?

2. Petitioner also established pendent unfair competition liability at common law. Does state or Federal law apply to measure the extent of money damages recoverable on such a claim?[1]

[1] This issue subtends, lest there be some question either before or after this petition were granted, what kind of damages are here awardable whichever law is held to govern.

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

15 U.S.C. §1117 Recovery of profits, damages, and costs.—

When a violation of any right of the registrant of a mark registered in the Patent Office shall have been established in any civil action arising under this Act, the plaintiff shall be entitled, subject to the provisions of sections 29 and 32, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty.

15 U.S.C. §1125(a) False designations of origin and false descriptions forbidden.—

Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the

falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

STATEMENT OF THE CASE

Petitioner manufactures, among other things, various safety control systems. The one here involved performs the function of monitoring, supervising, and managing large capacity oil, gas, and coal burners in utility, industrial, and commercial heat and power plants. Respondent, Honeywell, was a competitor for this market, but over the years the petitioner maintained substantial dominance.

The heart of the control is an electronic programmer which is subject to ordinary wear and tear and must be replaced periodically. Petitioner's programmer simply plugs in and out of the control housing, and, having dominated the initial installation market, petitioner therefore further dominated this lucrative and separate replacement programmer market. In an effort to make inroads on this replacement programmer market, Honeywell redesigned its programmer so that it could be installed into petitioner's system, but not with the ease with which petitioner's programmers could be so installed. Part of Honeywell's effort to market its replacement programmer was the wide distribution of advertising brochures. Contending that these brochures contained several misrepresentations, petitioner brought suit for unfair competition at common law and under the Lanham Act, 15 U.S.C. §1125, and for trade mark violation. In *Electronics Corporation of*

America v. *Honeywell, Inc.*, 428 F.2d 191 (1st Cir., 1970), it was held that the brochures did contain several serious misrepresentations, constituting unfair competition as a matter of common law, because they were made in a two firm market, and that Honewell should be enjoined from making them. This was done, and petitioner then asked the district court to rule that it was entitled to money damages and its attorney's fees and costs as a result of this false advertisement, both as a matter of common law and under the Lanham Act. It waived its claim of trade mark violation. The petitioner admitted that it was impossible to establish by proof the actual amount of damages caused by the misrepresentations. This being so, the district court held (Appendix B) that even though the petitioner had also established Lanham Act liability, it was not entitled to money damages or costs thereunder, nor for the established common law claim (ruling that pendent jurisdiction claim was governed by state law), and disallowed petitioner's attorney's fees because of this Court's opinion in *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 386 U.S. 714 (1967). Petitioner appealed, but the court below affirmed the disallowance of any money damages "on the basis of that (the district court) opinion." Appendix A, p. 11, *infra*.

REASONS FOR GRANTING THE WRIT

Initially, the opinion below[2] is in direct conflict with opinions of at least five other circuits. The court held that the trade mark provisions of 15 U.S.C. §1117 deter-

[2] Since the lower court acted "on the basis of" the district court opinion, the latter opinion must be looked to for the reasons for the action taken, but this was no *pro forma* reliance, rather a specific adoption: "we cannot improve on the thoughtful opinion of the district court." Appendix A, p. 11, *infra*. Unless otherwise specified, therefore detailed references herein to "the opinion below," "the opinion," or, in context, "it" are to the district court opinion, Appendix B, pp. 13-22, *infra*.

mined the damages recoverable even for non trade mark false advertising liability under 15 U.S.C. §1125, interpreted §1117 to require proof of "actual business harm," and, since petitioner admitted it could not prove the actual amount of damages it sustained from the misrepresentations, ruled that no money damages were recoverable. Petitioner unavailingly maintained that §1117 applied only to traditional trade mark violations under the Lanham Act, and did not delimit or affect the damages recoverable for a false advertising claim under §1125(a), even if the court's interpretation of §1117 were correct. While admitting that no court has yet specifically discussed the effect of the damages provisions of §1117 on a claim under §1125(a) or their interrelationship, petitioner relied upon *H. A. Friend & Co.* v. *Friend & Co.*, 276 F.Supp. 707 (C.D. Cal., 1967), *aff'd* 416 F.2d 526 (9th Cir., 1969), *cert. denied*, 397 U.S. 914 (1970), wherein damages were awarded under §1125(a) separate from those awarded under §1117 even though "it [was] impossible to determine the full extent to which the false descriptions herein concerned have damaged the plaintiff already and will cause further injury in the future." 416 F.2d at 533. The opinion below attempted to distinguish the case because there the court "found that many of the plaintiff's customers had been deceived by the defendant's conduct," page 18, *infra*, while here petitioner admitted it could not prove actual damages. Petitioner submits that when "serious misrepresentations" are made in the unique context of a two firm market, *a fortiori* some of its customers, actual or potential, will be deceived, and therefore *Friend* is authority for the award of some damages even though their amount cannot be proven.

In failing to distinguish this separate false advertising claim under §1125(a) from a traditional claim of trade mark violation the lower court is in further direct conflict with at least five other Circuits. The court below even

went so far as to insert a caveat to its adoption of the district court opinion, noting that it was "not [to] indicate necessary agreement with its conclusion that palming off is not an essential element of a Lanham Act claim." Page 12, *infra*. This is consistent with its earlier opinion in this case, *see, Electronics Corporation of America* v. *Honeywell, Inc.*, 428 F.2d 191, 192 (1st Cir., 1970), and with its opinion in *Samson Crane Co.* v. *Union National Sales, Inc.*, 180 F.2d 896 (1st Cir. 1950), but directly contrary to every other Circuit which has passed upon the question, which courts recognize that §1125(a) constitutes a separate Federal statutory tort, and that recovery thereunder does not require proof of the traditional trade mark "palming off," or even ownership of a trade mark.[3] The Ninth Circuit has even gone so far as to hold that the statute constructed a new national law of unfair competition. *Pagliero* v. *Wallace China Co.*, 198 F.2d 339 (9th Cir., 1952).

This patent conflict in what has become a burgeoning area of law must be resolved. This Court has only twice addressed itself to the Lanham Act, in cases not here material: in *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 386 U.S. 714 (1967) and *Steele* v. *Bulova Watch Co.*, 344 U.S. 280 (1952), recognizing in the latter opinion, at page 283, that it is a "complex and controversial Act." It is now demonstrably also subject to conflicting interpretation. Only twice has review been sought where §1125(a) was involved, in *Bernard Food Industries, Inc.* v. *Dietene Company*, 415 F.2d 1279 (9th Cir., 1969), *cert. denied* 397

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[3] *Colligan* v. *Activities Club of New York, Limited*, 442 F.2d 686 (2d Cir., 1971); *Alum-a-Fold Shutter Corp.* v. *Folding Shutter Corp.*, 441 F.2d 556 (5th Cir., 1971); *Bernard Food Industries, Inc.* v. *Dietene Company*, 415 F.2d 1279 (7th Cir., 1969), *cert. denied* 397 U.S. 912 (1970); *Federal-Mogul-Bower Bearings, Inc.* v. *Ayoff*, 313 F.2d 405 (6th Cir., 1963); *L'Aiglon Apparel, Inc.* v. *Lana Lobell, Inc.*, 214 F.2d 649 (3d Cir., 1954).

U.S. 912 (1970), and *H. A. Friend & Co.* v. *Friend & Co.*, 416 F.2d 526 (9th Cir., 1969), *cert. denied* 397 U.S. 914 (1970), and both, of course, were prior to the conflict which has now evolved. The Court is here presented not only with a conflict which must be resolved, but a viable vehicle to delineate the parameters of §1125(a).

The lower court also refused to award attorney's fees under §1125(a), relying on the Court's opinion in *Fleischmann Distilling Corp.* v. *Maier Brewing Co., supra.* Petitioner argued that *Fleischman's* holding applied only to §1117 and not to the damages recoverable in a §1125(a) action. This question is, therefore, but another facet of the first: to what extent is a false advertising claim under §1125(a) governed by the trade mark provisions of §1117? Allowing the writ here sought will therefore give added dimension to the issue.

Petitioner is aware of the fact that the next to last sentence of the *Fleischmann* opinion says "that Congress intended §35 of the Lanham Act to mark the boundaries of the power to award monetary relief in cases arising under the Act." Yet earlier in the opinion, at pages 714-715, the Court made clear that it was only addressing itself to a trade mark claim under §1117:

> "This is a trademark case arising under the Lanham Act (60 Stat. 427, 15 U.S.C. §§1051-1127) in which our sole concern is with the relief that may be granted when deliberate infringement of a valid trademark has been established. The question is whether federal courts have power in that context to award reasonable attorney's fees as a separate element of recovery in light of §35 of the Act [15 U.S.C. §1117] which enumerates the available compensatory remedies."

Petitioner submits that a fair reading of the opinion would seem to indicate that the next to last sentence was, unintentionally, overbroad, and that the case is limited to the award of attorney's fees in trade mark claims under §1117. The leading commentator in the field concurs with petitioner's position. 4 Callman, UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES, 3d ed., §89.3(d). The fact that the lower court did not here concur only focuses further the need for review.

Lastly, this case presents another and separate question which needs a dispositive answer from this Court. The court below held that state law applied to the damages recoverable on petitioner's claim for common law unfair competition under the pendent jurisdiction provisions of 28 U.S.C. §1338. The opinion relied upon *Phoenix Manufacturing Co.* v. *Plymouth Mfg. Co.*, 286 F.Supp. 324 (Mass., 1968), which in turn relied upon *Flexitized, Inc.* v. *National Flexitized Corporation*, 335 F.2d 774 (2d Cir., 1964). Both cases so hold, as do others. There is authority to the contrary, however, when the unfair competition affects interstate commerce, so that needed uniformity may be preserved. *Bulova Watch Co.* v. *Stolzberg*, 69 F.Supp. 543 (Mass., 1947); *Cf., Bliss* v. *Gotham Industries, Inc.*, 316 F.2d 848 (9th Cir., 1963); *Black & Yates, Inc.* v. *Mahogany Association, Inc.*, 129 F.2d 227 (3d Cir., 1942), *cert. denied*, 317 U.S. 672 (1942). A leading commentator considers this the "better rule." 1A MOORE'S FEDERAL PRACTICE, p. 3772. While not specifically addressing this conflicts problem, the Second Circuit recently approved the awarding of attorney's fees in an unfair competition case, relying solely on Federal authority. *Cutler-Hammer, Inc.* v. *Standard Relay Corp.*, 328 F.Supp. 868 (S.D. N.Y., 1970), *aff'd* 444 F.2d 1092 (2d Cir., 1971). The resolution of this important issue provides further reason to issue the writ sought.

CONCLUSION

For the reasons set forth above a writ of certiorari should issue to the United States Court of Appeals for the First Circuit.

Respectfully submitted,

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APPENDIX A

United States Court of Appeals
For the First Circuit

No. 73-1260.

ELECTRONICS CORPORATION OF AMERICA,

PLAINTIFF, APPELLANT,

v.

HONEYWELL, INC.,

DEFENDANT, APPELLEE.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

Before COFFIN, *Chief Judge*,
McENTEE and CAMPBELL, *Circuit Judges*.

Daniel F. Featherston, Jr., with whom *Featherston, Homans, Klubock & Griffin* was on brief, for appellant.
James W. Noonan, with whom *Herrick, Smith, Donald, Farley & Ketchum* was on brief, for appellee.

December 3, 1973

PER CURIAM. After argument and studying the briefs, we have come to the conclusion that we cannot improve on the thoughtful opinion of the district court, 358 F. Supp. 1230 (D. Mass. 1973). We therefore affirm on the basis of that opinion. We add only two comments. The first is that appellant makes the pillar of its claim for punitive damages, fees, and costs, despite absence of any proof of actual damages, our statements in the prior case, *Electronics Corporation of America* v. *Honeywell, Inc.*, 428 F.2d 191, 194 (1st Cir. 1970), that material misrepresentations "will damage" and that in a two-firm market

"harm is sufficiently apparent" when such misrepresentations are made. While we cannot fault appellant for seizing on this language, we do not recant. When we spoke of the inevitability of harm we were not addressing the availability of damages but of relief. Because appellee's harmful conduct was discontinued and no actual damage was shown no further relief is indicated. Our second comment is that in relying on the district court opinion, we do not indicate necessary agreement with its conclusion that palming off is not an essential element of a Lanham Act claim. We say this only because such a stance is not necessary for the decision of this appeal.

Affirmed.

APPENDIX B

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

Civil Action
No. 69-750-G

ELECTRONICS CORPORATION OF AMERICA,
Plaintiff,
v.
HONEYWELL, INC.,
Defendant.

OPINION

May 30, 1973

GARRITY, J. Earlier in this litigation, and upon mandate of the Court of Appeals for the First Circuit, 428 F.2d 191, reversing and remanding this court's decision, 303 F.Supp. 1220, we ordered a preliminary injunction enjoining the defendant Honeywell from distributing certain advertising brochures pertaining to defendant's safety control replacement system for industrial heating units. Remaining before us for disposition are plaintiff's claims under both the Lanham Act, 15 U.S.C. § 1125(a), and the common law of unfair competition, for damages, punitive damages, attorney's fees, and its costs of litigation. The current procedural posture of the case is that plaintiff has moved for partial summary judgment on the ground that it is entitled to damage including attorney's fees, costs of litigation, and punitive damages as a matter of law; defendant has filed requests for rulings of law to the effect that damages are not recoverable by plaintiff, on the assumption that plaintiff is unable to show any

lost business, either from lost sales or defendant's profits attributable to defendant's conduct.

The plaintiff, a Massachusetts corporation with its principal place of business in Massachusetts, and the defendant, a Delaware corporation with its principal place of business in a state other than Massachusetts, compete in the manufacture and sale of electronic programming controls for large capacity industrial heaters and burners. Plaintiff's initial dominance in the market, coupled with the ease of installing plaintiff's replacement parts, gave the plaintiff a definite advantage over defendant in the replacement market. Early in 1969 defendant modified its replacement package to make it compatible with plaintiff's original equipment, and it then engaged in advertising through the dissemination of brochures containing the statements that gave rise to this litigation.

In its opinion the Court of Appeals for this Circuit ruled that several of the statements in the brochures misrepresented the defendant's replacement system. The court ruled that (a) the statement that defendant's "new Programmer . . . plugs right into the old subbase" revealed that the "defendant had set out to be less than candid"; (b) the assertion that no electrician was required was misleading because installation did require specially trained burner servicemen; and (c) price comparisons made in the brochure constituted a serious misrepresentation. The court also stated, "for future purposes," that the statement that defendant's product had special features was "questionable, if not outright misrepresentation." *Id.* at 195 n. 5. Although these rulings of the Court of Appeals were of a tentative nature, they constitute the law of this case because the parties have stated that they will introduce no more evidence and there will be no trial on the merits. See *Obear-Nester Glass Co.* v. *United Drug Co.*, 8 Cir., 1945, 149 F.2d 671. Upon con-

sideration of the prior proceedings and the memoranda of the parties on their requests for rulings on the damage claims, and after hearing, we make the following rulings on questions of damages.

Lanham Act Claim

The first issue is whether plaintiff has a cause of action under the Lanham Act, 15 U.S.C. § 1125(a). The Court of Appeals based its award of injunctive relief to the plaintiff solely on common law, stating that the Lanham Act count was "possibly of questionable merit. Cf. *Samson Crane Co.* v. *Union Nat'l Sales, Inc.*, D. Mass., 1949, 87 F.Supp. 218, *aff'd*, 1 Cir., 180 F.2d 896." Defendant here argues that the Lanham Act count is devoid of merit because it was concededly not engaged in palming off the plaintiff's goods. Defendant relies on language in the *Samson Crane* case to the effect that the Lanham Act covers "forms of misrepresentations which are of the same general character [as trademark misuse]," which it says indicates that palming off is essential to recovery under the Act. We disagree. We see no support in the rest of the *Samson Crane* opinion for giving this statement, which is ambiguous, any greater weight than the earlier statement in the opinion that the Act's "primary purpose . . . was to eliminate deceitful practices in interstate commerce involving the misuse of trademarks . . . ," *id.*, a statement that supports plaintiff's view that palming off is not essential. In any event, the holding in *Samson Crane* was simply that since the plaintiff there had not alleged that interstate commerce was affected by defendant's activities and, alternatively, that because the defendant had not misrepresented goods or services, but merely an affiliation with a union, a Lanham Act count was baseless. *Id.* at 221. We believe that it is an open question in this circuit whether palming off is an

essential element of a Lanham Act claim. In accord with the opinions of other circuit courts, we think it is not. See, e.g., *Alum-a-Fold Shutter Corp.* v. *Folding Shutter Corp.*, 5 Cir., 1971, 441 F.2d 556; *Federal-Mogul-Bowe Bearings, Inc.* v. *Ayoff*, 6 Cir., 1963, 313 F.2d 405; *L'Aiglon Apparel, Inc.* v. *Lana Lobell, Inc.*, 3 Cir., 1954, 214 F.2d 649. The clear language of the Act supports this view; it prohibits not only a "false designation of origin," 15 U.S.C. § 1125(a), which is the essence of palming off, but "any false description or representation." *Id.* The plaintiff here thus has established grounds for relief under the Lanham Act which, together with the common law of unfair competition, support the preliminary injunction which has issued.

Damages under the Lanham Act

Plaintiff having waived any attempt to show actual harm, in terms of lost sales or defendant's profits, the question at this juncture is whether plaintiff must show that it suffered some actual harm to its business in order to recover damages under § 1117. Plaintiff vigorously asserts that a federal district court has virtually unbridled discretion to award such damages as it thinks are appropriate, but in our opinion this statement is too broad. According to the damages section, the plaintiff may recover, *inter alia*, "any damage sustained," as well as defendant's profits, when appropriate, and costs of the action. Although the next to last sentence of § 1117 authorizes the court to enter judgment for such sum as the court finds is just, a precondition to application of this provision is that the court determine that an award based on lost profits is either inadequate or excessive. Plaintiff having waived a showing of actual harm, the court cannot make such a determination; ;the provision therefore cannot be applied here. Section 1117 states, "In assessing

damages the court may enter judgment, according to the circumstances of the case, for any sum above *the amount found as actual damages,* not exceeding three times such amount." (Emphasis added.) Here again the sentence is not applicable unless the court first makes a finding of what the "actual damages" were. It is difficult to give to the term "actual damages" any other meaning than "damages in dollars and cents." Moreover, the section concludes that "Such sum [i.e., the award based on damages or based on profits] shall constitute compensation and not a penalty," thereby indicating, as we see it, that when § 1117 speaks of "damages" it means "actual damages." Having waived any claim for actual damages, plaintiff is not entitled to the benefits of the treble damage provision of § 1117.

As for general damages, § 1117 provides detailed instructions to be followed in awarding money judgments. Although the section asserts that "The court shall assess such profits and damages or cause the same to be assessed under its direction," this sentence does not mean that the court may, without the benefit of any evidence of harm, come up with a figure that it thinks just. And the following language in the section, to the effect that, with respect to profits, the plaintiff must show defendant's sales and, with respect to damages, that the court must make a finding of what the actual damages were, leaves no doubt that Congress deliberately chose to limit the discretion of federal courts in awarding money judgments in Lanham Act cases. Unless there is at least some evidence of harm arising from defendant's violation, a court may not award a money judgment based on profits or damages. Were the section to be read differently there would be a great danger that money judgments would be, in essence, punishments; but it is apparent from the sec-

tion's conclusion that money judgments "shall constitute compensation and not a penalty."

This is not, of course, to say that courts may not under any circumstances consider the nature of a defendant's conduct in applying § 1117. The section states at the outset that the plaintiff shall be entitled to money judgments "subject to the principles of equity," and it would seem clear that the nature of defendant's conduct would qualify as an equitable consideration. See *McDonald's Corp.* v. *Moore,* D. Ala., 1965, 243 F.Supp. 255, *aff'd,* 5 Cir., 363 F.2d 435. But the general proposition that equitable considerations apply in determining the proper amount of a Lanham Act money judgment does not in our opinion mean that they are applicable in all cases. Unless the court is able to find that actual harm occurred, the exercise of discretion—in which equitable factors would be considered—is simply not authorized. See, e.g., *Gold Seal Co.* v. *Weeks,* D. D.C., 1955, 129 F.Supp. 928, *aff'd,* D.C. Cir., 230 F.2d 832, *cert. denied,* 1956, 332 U.S. 829. The case on which plaintiff relies, *H. A. Friend & Co.* v. *Friend & Co.,* C.D. Cal., 1967, 276 F.Supp. 707, *aff'd,* 9 Cir., 1969, 416 F.2d 526, does not support the plaintiff's position here; before the court in the *Friend* case exercised its discretion in awarding damages, it first found that many of the plaintiff's customers had been deceived by the defendant's conduct into transferring their business to the defendant. Plaintiff having waived any attempt to show actual damages in dollars and cents, it is not entitled to compensation under the Lanham Act for what the court thinks its damages might have been.

In ruling that a Lanham Act plaintiff must show actual business harm as a predicate to a money recovery, we do not mean to suggest that damages are automatically awarded whenever actual harm is proved. Case law is clear that where damage is slight and the defendant's

conduct is not flagrant, an injunction satisfies the equities of the case, and damages are inappropriate. *Champion Spark Plug Co. v. Sanders*, 1947, 331 U.S. 125, 131-32; *Phoenix Mfg. Co.* v. *Plymouth Mfg. Co.*, D. Mass., 1968, 286 F. Supp. 324, 329-32. Here the defendant did not set out to steal business by confusing the public; nor did he engage in otherwise flagrant behavior. Thus, even if plaintiff were able to show slight harm, the court would still not be inclined to award a money recovery.

Nor is the plaintiff entitled to punitive damages under the Lanham Act. In its only pronouncement on 15 U.S.C. § 1117, the Supreme Court held that attorney's fees are not recoverable under the Act. *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 1967, 386 U.S. 714. Although the Court relied principally on the fact that the traditional American rule has been that attorney's fees are not recoverable, the Court also noted that Congress, in enacting § 1117, "meticulously detailed the remedies" available in trademark cases. Continuing, the Court stated, "When a cause of action has been created by a statute which expressly provides the remedies for vindication of the cause, other remedies should not readily be implied." 386 U.S. at 720. In light of the strong analogous precedent in the *Fleischman* case, this court's construction of § 1117 *supra*, and the telling fact that apparently no court has awarded punitive damages as such in a Lanham Act case, plaintiff's claim for punitive damages must also fall.

Costs of Litigation

As with the recovery of damages in Lanham Act cases, plaintiff's right to recover costs of the action is also "subject to the principles of equity." 15 U.S.C. § 1117. In the court's view, equitable considerations in this case work against the plaintiff. First, there has never been any showing of bad faith by the defendant, which has fully complied with the court's injunction. Second, plain-

tiff has merely thrown itself upon the discretion of the court in its prayer for damages and has offered no evidence on which the court could legitimately exercise its discretion in awarding damages. Section 1117 places upon plaintiff the slight burden of showing some actual harm. Plaintiff has not done this. Under these circumstances, the court concludes that the equities weigh in favor of defendant as to the damages portion of this litigation, and plaintiff's claim for costs as to that portion is consequently denied.

Plaintiff also presses a claim for an award of its costs of obtaining injunctive relief — including loss of management and employee time — in addition to taxable costs allowed as a matter of caurse under Fed. R. Civ. P. 54(d). In this regard, the court thinks it significant that the defendant has prevailed on the question of whether it should be permitted to sell its replacement control package at all. As the Court of Appeals pointed out, there has been no deceit as to the origin of the defendant's product. 428 F.2d at 193. Notwithstanding the misrepresentations, defendant's conduct has not been of an aggravated nature. Under these circumstances, the court concludes that an award of costs not covered by Rule 54(d) is not justified.

Unfair Competition Claim

As stated earlier, the Court of Appeals ruled in its decision in this case that defendant was liable for unfair competition at common law because several of its statements in the brochures advertising defendant's system were false or misleading. With this background of rulings operating as the law of this case, and keeping in mind plaintiff's waiver of showing actual damages, the court now turns to the damage claims under the common law of unfair competition.

In another case this court has ruled that state law applies to a pendent unfair competition claim like that

before us. *Phoenix Mfg. Co.* v. *Plymouth Mfg. Co.*, D. Mass., 1968, 286 F. Supp. 324. We adhere to that view. Under the law of Massachusetts, as under the Lanham Act, a plaintiff is not entitled to a money judgment in an unfair competition case absent a showing of actual harm. See *Regis* v. *H. A. Jaynes & Co.*, 1906, 191 Mass. 245, 77 N.E. 774; *Phoenix, supra.* The equities of this case have been satisfied by this court's entry of, and the defendant's compliance with, the preliminary injunction. Cf. *Champion Spark Plug, supra,* 331 U.S. at 131-32.

In holding that attorney's fees are not recoverable in Lanham Act cases, *Fleischmann, supra,* the Supreme Court was not simply interpreting the Lanham Act; it was following the traditional American rule, as distinguished from the English rule, with respect to attorney's fees. Analogizing to the *Fleischmann* case, defendant here says that plaintiff may not recover attorney's fees on the common law count. The court is persuaded of the soundness of the analogy; even if it were not, however, plaintiff could not recover, for it is clear that Massachusetts follows the traditional American rule. See *Goldberg* v. *Curhan,* 1955, 332 Mass. 310, 124 N.E. 2d 826, where the court criticized the earlier case of *Malloy* v. *Carroll,* 1934, 287 Mass. 376, 191 N.E. 661, and stated that the general rule in Massachusetts was to deny counsel fees so far as not covered by taxable costs. As for plaintiff's claim for costs of litigation, Massachusetts law is clear that "a litigant must bear his own expenses, except so far as his burden is mitigated by a statute awarding him taxable costs." *Commissioner of Insurance* v. *Massachusetts Accident Co.,* 1945, 318 Mass. 238, 61 N.E. 2d 137.

Summarizing, plaintiff's claims for damages, punitive damages, attorney's fees, and costs are denied with respect to both the Lanham Act and common law unfair competition claims; and with respect to such claims judgment

shall be entered for the defendant. The court notes that the plaintiff has not pressed its claim for a permanent injunction in connection with its requests for rulings on its damage claims. If the plaintiff thinks a permanent injunction necessary, it should file with the court within 15 days a form of permanent injunction on which the parties are in agreement.

(s) W. ARTHUR GARRITY, JR.
United States District Judge

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In the Supreme Court of the United States

OCTOBER TERM, 1973

No. 73-1097

ELECTRONICS CORPORATION OF AMERICA,
PETITIONER,

v.

HONEYWELL INC.,
RESPONDENT.

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

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In the Supreme Court of the United States

OCTOBER TERM, 1973

No. 73-1097

ELECTRONICS CORPORATION OF AMERICA,
PETITIONER,

v.

HONEYWELL INC.,
RESPONDENT.

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

Questions Presented

1. In a case in which the Petitioner has offered no evidence of damage and in which the District Court has found a waiver of any claim of damage is it material whether Section 35 of the Lanham Act, 15 U.S.C. 1117, should be consulted in determining whether the Petitioner can be awarded damages under Section 43(a) of the Lanham Act, 15 U.S.C. 1125(a)?

2. If the District Court held that proof of "palming off" was not required to establish a cause of action under

Section 43(a) of the Lanham Act, and the Court of Appeals in affirming merely stated it did not necessarily agree with this conclusion, is there a conflict between the decision of this Court of Appeals and other Courts of Appeals which have held that "palming off" is not required under Section 43(a) of the Lanham Act?

3. Was the District Court correct in ruling that the Petitioner was not entitled to an award of attorneys' fees in view of the decision in *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 386 U.S. 714 (1967), that attorneys' fees are not recoverable in the absence of a statute or contract providing for the award of such fees?

4. Assuming a cause of action existed for unfair competition at common law, is it material whether state law or federal law applies to measure damages in a case in which there is no evidence whatsoever of actual damage and the District Court has found a waiver of actual damage, and, with respect to the Petitioner's claim of attorneys' fees, neither state law (Massachusetts) nor federal law permit an award of attorneys' fees?

Statement of the Case

The Statement of the Case as set forth in the Petition for a Writ of Certiorari[1] does not contain all of the facts which are material to the issues presented. The Respondent accordingly sets forth the following additional facts:

The District Court found that the Petitioner in this case had waived any claim of actual damage, both with respect to the Petitioner's Section 43(a) Lanham Act claim and its claim of common law unfair competition. The District Court's finding is set forth four times in the District Court's Opinion (Petition, Appendix B, pages 16, 17 and 18).

---

[1] The Respondent will hereinafter refer to the Petition for a Writ of Certiorari as the "Petition."

The District Court's Opinion contains other findings which may be relevant. These are as follows:

> "In the court's view, equitable considerations in this case work against the plaintiff. First, there has never been any showing of bad faith by the defendant, which has fully complied with the court's injunction. Second, plaintiff has merely thrown itself upon the discretion of the court in its prayer for damages and has offered no evidence on which the court could legitimately exercise its discretion in awarding damages." (Petition, Appendix B, pages 19 and 20).
>
> "Here the defendant did not set out to steal business by confusing the public; nor did he engage in otherwise flagrant behavior." (Petition, Appendix B, page 19).
>
> "As the Court of Appeals pointed out, there has been no deceit as to the origin of the defendant's product. 428 F.2d at 193. Notwithstanding the misrepresentations, defendant's conduct has not been of an aggravated nature." (Petition, Appendix B, page 20).

Reasons for Denying the Writ

I. General

The Petition presents three "issues" which are immaterial to the decision of the case at bar, and a fourth issue which has already been decided against the Petitioner's position by an overwhelming number of Circuit Courts of Appeals.

The three issues which are immaterial in the case at bar are whether Section 35 of the Lanham Act should be consulted in determining the money damages which can be awarded in case arising under Section 43(a) of the Lanham Act, whether "palming off" is necessary to es-

tablish a cause of action under Section 43(a), and whether state or federal law governs in determining whether money damages and attorneys' fees may be awarded on a "common law" unfair competition claim.

Both the Lanham Act issues are immaterial because, although this case was commenced as long ago as July of 1969, the Petitioner never offered a scintilla of evidence of actual damage and the District Court found that the Petitioner had waived any claim of actual damage. In short, these Lanham Act issues could be decided either way and yet have no bearing whatsoever on the outcome of this particular case.

It is also true that it makes no difference in this particular case whether state or federal law is applicable in determining what damages and attorneys' fees may be awarded on a common law unfair competition claim. It makes no difference because the Petitioner had no actual damage, *by any standard,* and both federal and Massachusetts law prohibit the award of attorneys' fees.

The fourth issue presented by the Petition is whether the decision in *Fleischmann Distilling Corp.* v. *Maier Brewing Co.,* 386 U.S. 714 (1967) should be interpreted as merely disallowing the award of attorneys' fees in Section 35 Lanham Act cases or whether the American Rule against the award of attorneys' fees is of broader application. That issue has already been decided by an overwhelming number of Circuit Courts of Appeals, all of whose decisions are in accord. The decisions are that the American Rule does not allow attorneys' fees to be awarded except in a very limited number of situations. The case at bar does not come within any of such exceptions. The Circuit Court decisions are cited herein at page 10.

The case at bar contains no issue for which there are "special and important reasons" for granting the Petition. *Rule 19 of the Rules of the Supreme Court of the*

United States. The words of Justice Frankfurter in *Rice* v. *Sioux City Cemetery*, 349 U.S. 70 (1955) are appropriate here, at page 74:

> " 'Special and important reasons imply a reach to a problem beyond the academic or the episodic.' "

II. NEITHER THE FIRST CIRCUIT COURT OF APPEALS NOR THE DISTRICT COURT "HELD" THAT THE REMEDIES DESCRIBED IN 15 U.S.C. 1117 DETERMINE THE DAMAGES RECOVERABLE UNDER 15 U.S.C. 1125(a), BUT EVEN IF SUCH A "HOLDING" COULD BE FOUND, THE ISSUE IS IMMATERIAL IN THIS CASE SINCE THE PETITIONER OFFERED NO PROOF OF ACTUAL DAMAGE AND WAS FOUND TO HAVE WAIVED ANY CLAIM OF ACTUAL DAMAGE.

The opinion of the First Circuit Court of Appeals is set forth as Appendix A to the Petition. That per curiam opinion simply affirmed on the basis of the District Court's opinion, Appendix B to the Petition. If reference is then made to the District Court's opinion it will be seen that what the District Court did was to *assume* that Section 1117 should be consulted in determining whether there could be a money recovery under Section 1125(a). The Respondent says that since neither the District Court nor the Circuit Court in the case at bar considered and gave any reasons why Section 1117 should or should not be applied in an action arising under Section 1125(a), these lower court decisions in the case at bar are not significant decisions on the point.

Moreover, in the context of the case at bar, this issue is wholly academic and immaterial. The Petitioner here suffered no actual damage and the District Court found that the Petitioner had waived any such claim. The District Court's finding that the Petitioner had waived any

claim of actual damage is set forth four times in the District Court's opinion. (Petition, Appendix B, pages 16, 17 and 18). Suffice it to quote here the finding by the District Court at page 18 of the Petition:

> "Plaintiff having waived any attempt to show actual damages in dollars and cents, it is not entitled to compensation under the Lanham Act for what the court thinks its damages might have been."

Whatever standards or measures for the recovery of damages are consulted, the Petitioner here has none.

At page 6 of the Petition, the Petitioner cites the decision in *H. A. Friend & Co.* v. *Friend & Co.*, 276 F. Supp. 707 (C.D. Cal. 1967), aff. 416 F.2d 526 (9th Cir. 1969), cert. denied, 397 U.S. 914 (1970) as though that case sanctioned an award of damages under Section 1125(a) even in the complete absence of evidence of harm. No subsequent case has so interpreted the *Friend* case. The District Court in the case at bar correctly distinguished the *Friend* case on the basis that in the *Friend* case there was in fact evidence of actual harm, whereas in the instant case there is none whatsoever. (Petition, Appendix B, page 18).

There have been decisions on what proof is necessary for the recovery of money damages under Section 1125(a). All of such decisions require proof of actual damage.

Hesmer Foods, Inc. v. *Campbell Soup Company*, 346 F.2d 356 (7 Cir. 1965).

Gold Seal Co. v. *Weeks*, 129 F. Supp. 928 (D. Ct. D.C. 1955), aff. 230 F.2d 832, c.d. 352 U.S. 829.

Parkway Baking Co. v. *Freihofer Baking Co.*, 255 F.2d 641 (3 Cir. 1958).

Smith Victor Corp. v. *Sylvania*, 242 F. Supp. 302 (N.D. Ill. 1965).

In the *Gold Seal* case, the Court said, at page 940:

> "We therefore deny injunctive relief to Johnson. We also deny relief under Section 35 of the Lanham Act in the form of an accounting for profits and damages. *Suffice it to say Johnson's attempt to analogize Section 43(a) to a libel action, making proof of actual damages unnecessary, is totally without support in law or reason.* Pecuniary recovery must be individualized, loss of sales must be shown. Section 43(a) was to promote fair business dealings. It was not to provide a windfall to an overly eager competitor." [Emphasis supplied].

The Respondent respectfully submits that in the case at bar the alleged issue of whether Section 1117 should be consulted in a Section 1125(a) action is not deserving of review by the Supreme Court of the United States.

III. THE FIRST CIRCUIT COURT OF APPEALS MADE NO CONSTRUCTION OF SECTION 43(a) OF THE LANHAM ACT, 15 U.S.C. 1125(a), WHICH WOULD REQUIRE THAT "PALMING OFF" BE PROVED UNDER THAT SECTION, THE DISTRICT COURT IN FACT RULED "PALMING OFF" WAS NOT REQUIRED, AND THE ISSUE IS IMMATERIAL IN THIS CASE SINCE THE PETITIONER OFFERED NO PROOF OF ACTUAL DAMAGE AND WAS FOUND TO HAVE WAIVED ANY CLAIM OF ACTUAL DAMAGE.

The Petitioner, beginning at the bottom of page 6 of the Petition and running through the first six lines at the top of page 8, attempts to convince this Honorable Court that a "conflict" somehow exists between the decision

of the First Circuit Court of Appeals and decisions of other Circuit Courts on the issue whether "palming off" is an essential element of a cause of action under Section 43(a) of the Lanham Act, 15 U.S.C. 1125(a). It is crystal clear, however, that the First Circuit Court of Appeals made no such decision. What the Circuit Court said on the point was as follows:

> "Our second comment is that in relying on the district court opinion, we do not indicate necessary agreement with its conclusion that palming off is not an essential element of a Lanham Act claim. We say this only because such a stance is not necessary for the decision of this appeal." (Petition, Appendix A, page 12).

The District Court had ruled that proof of palming off was not required (Petition, Appendix B, pages 15 and 16) and the Circuit Court merely stated that it did not necessarily agree with the District Court's ruling. That is hardly the equivalent of a decision by the Circuit Court that proof of "palming off" is required in a Section 43(a) case.

Moreover, the issue, as with other issues for which review is sought, is immaterial in the case at bar because the Petitioner offered no proof of actual damage and the District Court found the Petitioner had waived any claim of actual damage. (Petition, Appendix B, pages 16, 17 and 18). A decision by the Supreme Court of the United States that proof of "palming off" was not required in a Section 1125(a) action would not have any effect whatsoever on the outcome of the case at bar. The issue here is wholly academic and should not be reviewed by the Supreme Court of the United States.

IV. The Decisions of the Courts Below Not To Award Attorneys' Fees on the Petitioner's Non-Section 35 Lanham Act Claims Was Correct Under *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 386 U.S. 714 (1967), and in Harmony With the Decisions Since *Fleischmann* by Other Circuit Courts.

It is the Petitioner's contention that the opinion in *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 386 U.S. 714 (1967) should be applied only to cases arising under Section 35 of the Lanham Act, 15 U.S.C. 1117, and that in cases not arising under that specific section American courts should be free to award attorneys' fees. Such a contention ignores the discussion of this Honorable Court in its opinion in *Fleischmann* and the clear contrast illuminated in that discussion between the "American Rule" and the "English Rule" as to the award of attorneys' fees. At page 717 of its opinion this Honorable Court said:

> "Although some American commentators have urged adoption of the English practice in this country, our courts have generally resisted any movement in that direction. The rule here has long been that attorney's fees are not ordinarily recoverable in the absence of a statute or enforceable contract providing therefor."

The Court went on to recognize certain limited exceptions to the American rule. The case at bar does not fall within any of those exceptions.

The Petition also ignores the following decisions by other Circuit Courts since *Fleischmann*, all of which declined to award attorneys' fees in cases not involving Section 35 of the Lanham Act:

Gore v. *Clearwater Shipping Corporation*, 378 F.2d 584 at 587 (3 Cir. 1967), *Sanford Research Co.* v. *Eberhard Faber Pen and Pencil Co.*, 379 F.2d 512 at 517 (7 Cir. 1967), *Washington Aluminum Co.* v. *Pittman Construction Co.*, 383 F.2d 798 at 805 (5 Cir. 1967), *Kiefel* v. *Las Vegas Hacienda, Inc.*, 404 F.2d 1163 at 1170 (7 Cir. 1968) cert. den. 395 U.S. 908, reh. den. 395 U.S. 987 (1969), *Missouri Pacific Railroad Company* v. *Slayton*, 407 F.2d 1078 at 1083 (8 Cir. 1969) cert. den. 395 U.S. 937, reh. den. 397 U.S. 1081 (1970), *Air Line Pilots Assn., Internat.* v. *Northwest Airlines, Inc.*, 415 F.2d 493 at 498 (8 Cir. 1969) cert. den. 397 U.S. 924, *Friend* v. *H. A. Friend and Company*, 416 F.2d 526 at 534 (9 Cir. 1969) cert. den. 397 U.S. 914 (1970), *Kahan* v. *Rosenstiel*, 424 F.2d 161 at 165 (3 Cir. 1970) cert. den. 398 U.S. 950 (1970), *Bangor & A. R. Co.* v. *Brotherhood of Loc. Fire & Eng.*, 442 F.2d 812 at 823 (Dist. of Col. 1971), *Textron* v. *Spi-Dell Watch and Jewelry Co.*, 406 F.2d 544 at 545 (2 Cir. 1968).

In the foregoing decisions seven of the eleven circuit courts are represented, and all of the decisions are in accord.

Moreover, in the case at bar, even if it were to be held that attorneys' fees could be awarded, which would be a plain departure from the American Rule as set forth in *Fleischmann*, nevertheless at the very most such an award should be in the discretion of the trial court and should only be made in extreme cases involving flagrant or wanton conduct. In the case at bar there is not even an argument by the Petitioner that this is an extreme case, let alone any evidence or findings to such effect. The reverse is in fact the case, as evidenced by the District Court's findings that the Respondent had not been shown to be in bad faith, had fully complied with the District Court's

injunction, did not engage in flagrant behavior or in conduct of an aggravated nature. These findings are set forth herein at page 3.

The Respondent respectfully submits that in the case at bar the issue of attorneys' fees is not on any count an issue deserving of review.

V. THE COURTS BELOW CORRECTLY APPLIED STATE LAW TO DETERMINE WHAT DAMAGES, IF ANY, THE PETITIONER WAS ENTITLED TO RECOVER FOR COMMON LAW UNFAIR COMPETITION, BUT THE ISSUE IS IMMATERIAL IN ANY EVENT IN THIS CASE SINCE THE PETITIONER OFFERED NO PROOF OF ACTUAL DAMAGE AND WAS FOUND TO HAVE WAIVED ANY CLAIM OF ACTUAL DAMAGE; NEITHER STATE NOR FEDERAL LAW PERMITS AN AWARD OF ATTORNEYS' FEES SO THAT THE ISSUE OF WHICH LAW SHOULD BE APPLIED ON THIS ISSUE IS ALSO IMMATERIAL.

On page 9 of its Petition, the Petitioner cites *Flexitized, Inc.* v. *National Flexitized Corp.*, 335 F.2d 774 (2d Cir. 1964) cert. denied 380 U.S. 913 (1965) as holding that state law should be applied in determining the damages recoverable for common law unfair competition. It should be noted that certiorari was denied in the *Flexitized* case, even though the issues in that case, unlike the case at bar, were not academic.

The *Flexitized* case has been widely followed, the cases to the contrary are few and far between, and the Respondent submits that the *Flexitized* rule is the correct one. But in any event the question is academic in the case at bar. The Petitioner offered no proof of actual damage and the District Court found that the Petitioner had waived any claim of actual damage. Whatever "common law" is governing, state or "federal", no money damages can be awarded without proof of damage and in the face of a waiver of damages.

As to attorneys' fees, if, as contended for by the Petitioner, "federal" common law is applicable then *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 386 U.S. 714 (1967) prohibits the award of attorneys' fees on a common law unfair competition claim. See also the decision in *Textron* v. *Spi-Dell Watch and Jewelry Co.*, 406 F.2d 544 (2d Cir. 1968). If an award of attorneys' fees is governed by state law, then under Massachusetts law an award of attorneys' fees in the very case would have been wrong as a matter of law. *Goldberg* v. *Curhan*, 332 Mass. 310 (1955). Accordingly, the issue of the applicable law governing attorneys' fees on a common law unfair competition claim, is, in the case at bar, an immaterial issue.

The case of *Cutler-Hammer, Inc.* v. *Standard Relay Corp.*, 328 F. Supp. 868 (S.D. N.Y. 1970), affirmed per curiam 444 F.2d 1092 (2 Cir. 1971), cited on page 9 of the Petition, was a flagrant case, involving fraud on the Court, false answers to interrogatories, and contempt and disrespect of Court orders. The defendants' conduct in the *Cutler* case was described as "deliberate, fraudulent and wanton" at page 882 of the Court's opinion. If justification existed in the *Cutler* case for an award of attorneys' fees, that justification can only be found in the flagrant nature of the defendants' conduct. No such conduct is present in the case at bar. The reverse is in fact true, as evidenced by the findings of the District Court, set forth herein at page 3.

The Respondent submits that the Courts below correctly decided the question of what common law governed the measure of damages and attorneys' fees, and that in any event the question of what law governs these matters is wholly immaterial and academic in the case at bar.

Conclusion

The Respondent respectfully submits that there are no special and important reasons to review any of the issues raised by the Petition since three of the four issues presented cannot affect the outcome of the case at bar and the fourth has already been decided against the Petitioner's position by each Circuit Court of Appeals which has had occasion to decide the issue.

Respectfully submitted,

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